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R. J. REYNOLDS TOBACCO COMPANY

WINSTON-SALEM, N. C.

FINANCIAL STATEMENT

DECEMBER 31, 1926.

Winston-Salem, N. C., January 14, 1927.

To the Stockholders of

R. J. REYNOLDS TOBACCO COMPANY:—

The Financial Report of your Company, at the close of business December 31, 1926, is hereby submitted.

Net Earnings for the year 1926, after deducting all charges and expenses of management, and after making provision for Interest, Taxes (including Federal and State Income Taxes), Depreciation, Advertising, etc.	$26,249,403.10
DEDUCT	
One quarterly dividend of $1.00 and three quarterly dividends of $1.25 each per share	15,200,000.00
Balance carried to Undivided Profits	11,049,403.10
ADD	
Undivided Profits December 31, 1925	39,154,393.66
Total Undivided Profits December 31, 1926	$50,203,796.76

NOTE: Federal Income, Excess Profits and War Profits Taxes on earnings for respective years up to December 31, 1926, have been paid or set aside in the above statement in maximum amounts and pending tax adjustments should result in a substantial increase in the Undivided Profits Account.

FINANCIAL STATEMENT

DECEMBER 31, 1926.

ASSETS

CURRENT		
Cash	$ 16,930,893.64	
Accounts Receivable (net) for merchandise sold	12,440,719.61	
Leaf Tobacco, Supplies, Manufactured Product	99,154,109.27	$128,525,722.52
OTHER ASSETS		
Real Estate, Buildings, Machinery, Fixtures	20,154,472.64	
Investments in Non-Competitive Companies, etc.	952,073.04	
Bills and Notes Receivable	516,128.35	
Other Accounts Receivable	887,717.66	
Good Will, Patents, Trade-Marks, etc.	1,316,691.24	
Prepaid Expenses	388,222.67	24,215,305.60
		$152,741,028.12

LIABILITIES

CURRENT		
Accounts Payable	$ 6,929,206.88	
Accrued Taxes and other Accrued Accounts	5,680,922.10	$ 12,610,128.98
RESERVES		
Depreciation, Obsolescense and Contingencies		9,927,102.38
CAPITAL ACCOUNT		
Common Stock	10,000,000.00	
New Class B Common Stock	70,000,000.00	
Undivided Profits (after deduction of dividends payable January 1, 1927)	50,203,796.76	130,203,796.76
		$152,741,028.12

Respectfully,
R. D. SHORE, Treasurer.

WE HEREBY CERTIFY that we have examined the books of account and record of R. J. REYNOLDS TOBACCO COMPANY, Winston-Salem, N. C., at December 31, 1926, and it is our opinion that the above statement shows the true financial condition of the Company at the date stated, and that the accompanying Analysis of Undivided Profits Account is correct. Inventories of Leaf Tobacco, Supplies, Manufactured Product and Investments are valued at cost as in former years. As far as we could ascertain there were no contingent liabilities and we were informed none existed.

ERNST & ERNST,
Certified Public Accountants.